

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 AGRE-00 IO-13 L-03 SS-15 NSC-05  
PA-01 ICA-11 /103 W  
-----029166 052036Z /62

R 051905Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6417  
INFO ALL EC CAPITALS

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USEEC

PASS AGRICULTURE ELECTRONICALLY  
PARIS ALSO FOR USOECD  
GENEVA ALSO FOR USMTN

E.O. 11652: N/A  
TAGS: EAGR, EEC  
SUBJ: EC COUNTERVAILING RULES ON OILSEED MEAL  
REF (A) BRUSSELS 8425; (B) 77 BRUSSELS 19012;  
(C) 71 EC A-192; (D) 71 EC A-323; (E) 71 EC BRUSSELS  
1610

1. SUMMARY: THE EC FATS AND OILS CAP PROVIDES FOR THE APPLICATION OF COMPENSATORY AMOUNTS AGAINST IMPORTS OF SUBSIDIZED VEGETABLE OILS, OILSEEDS, AND OILSEED MEAL. HOWEVER, THE EC HAS THUS FAR ESTABLISHED RULES FOR THE IMPLEMENTATION OF THIS PROVISION ONLY WITH RESPECT TO VEGETABLE OILS. DG-VI HOPES TO EXTEND THE COVERAGE OF THESE IMPLEMENTING RULES TO OILSEED MEAL. THIS INTENTION IS MENTIONED IN THE LATEST COMMISSION WORKING DOCUMENT FOR THE 1978/79 FARM PRICE NEGOTIATIONS. END SUMMARY.

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2. THE MAJOR FEATURES OF THE COMMISSION WORKING DOCUMENT TO BE USED AS THE BASIS FOR THE NEXT ROUND OF NEGOTIATIONS ON THE FIXING OF 1978/79 PRICES WAS REPORTED REF A. IN THE SECTION ON OILSEEDS, THIS DOCUMENT REFERS TO THE COMMISSION'S INTENTION TO DEFINE RULES FOR THE APPLICATION OF ARTICLE 3 OF COUNCIL REGULATION NO. 136/66 (THE BASIC FATS AND OILS REGULATION) TO OILSEED MEAL. ARTICLE 3 OF

COUNCIL REGULATION NO. 136/66 PROVIDES FOR THE APPLICATION OF QUOTE COMPENSATORY AMOUNTS UNQUOTE ON IMPORTS OF OILSEEDS, VEGETABLE OILS, OILSEED MEALS AND CERTAIN OTHER RELATED PRODUCTS WHERE:

A. IMPORTS FROM THIRD COUNTRIES QUOTE SERIOUSLY PREJUDICE OR THREATEN TO PREJUDICE THE INTERESTS UNQUOTE OF EC PRODUCERS OF THESE PRODUCTS.

B. AS A RESULT OF DIRECT OR INDIRECT SUBSIDIES OR PREMIUMS OR EQUIVALENT MEASURES, ACTUAL OFFER PRICES OF THESE PRODUCTS DO NOT CORRESPOND QUOTE TO PRICES WHICH WOULD PREVAIL IN THE ABSENCE OF SUCH MEASURES OR PRACTICES UNQUOTE AND WHERE SUCH A SITUATION CAUSES OR THREATENS TO CAUSE SERIOUS PREJUDICE TO COMMUNITY PRODUCTION OF THE PRODUCTS COVERED BY THE FATS AND OILS CAP.

THE ARTICLE ALSO STATES THAT THE INTRODUCTION OF SUCH COMPENSATORY AMOUNTS SHALL RESPECT THE EC'S INTERNATIONAL COMMITMENTS (I.E., GATT).

3. IMPLEMENTING RULES FOR THE SAFEGUARD, OR ESCAPE CLAUSE, OPTION (2A ABOVE) WERE LAID DOWN BY COUNCIL REGULATION NO. 1076/71 (REFS C AND E); THESE RULES APPLY TO OILSEED MEAL AND OILSEEDS AS WELL AS VEGETABLE OILS. IMPLEMENTING RULES FOR THE COUNTERVAILING DUTY OPTION (2B) WERE LAID DOWN BY COUNCIL REGULATION NO. 143/67 LIMITED OFFICIAL USE

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(REF D). HOWEVER, THIS REGULATION APPLIES ONLY TO VEGETABLE OILS. THE REGULATION PROVIDES FOR THE APPLICATION OF A COMPENSATORY AMOUNT WHERE THE PRICES OF IMPORTED OILS ARE: (A) LOWER THAN THE PRICES THAT WOULD BE ESTABLISHED IN THE ABSENCE OF DIRECT OR INDIRECT SUBSIDIES OR PREMIUMS FOR THE PRODUCTION, MANUFACTURING, EXPORTATION OR TRANSPORT OF OIL OR (B) IN A DIFFERENT RATIO TO THE PRICES OF OILSEEDS THAN THEY WOULD HAVE BEEN IN THE ABSENCE OF ACTION BY A TRADE MONOPOLY OR NEAR MONOPOLY OR MEASURES EQUIVALENT IN EFFECT TO A SUBSIDY OR PREMIUM. BANS OR TAXES ON OILSEED EXPORTS ARE CONSIDERED MEASURES EQUIVALENT TO SUBSIDIES FOR PURPOSES OF THIS REGULATION BECAUSE THEY RAISE OILSEED COSTS TO EC CRUSHERS THEREBY GIVING OIL IMPORTS A COMPETITIVE ADVANTAGE OVER DOMESTICALLY PRODUCED VEGETABLE OIL. THE COMPENSATORY AMOUNT IS NOT TO EXCEED THE AMOUNT OF THE SUBSIDY OR THE INCIDENCE OF EQUIVALENT MEASURES. IT IS TO BE FIXED THROUGH MANAGEMENT COMMITTEE PROCEDURE.

5. COMMISSION OFFICIALS IN THE OILSEED DIVISION TELL US THAT THEY ENVISAGE THE EXTENSION OF REGULATION NO. 143/67 TO OILCAKES AND MEALS RATHER THAN THE FORMULATION

OF A SEPARATE REGULATION FOR THESE PRODUCTS. THEY SAY  
THAT THIS EXTENSION WOULD FACILITATE THE HANDLING OF  
PROBLEMS SUCH AS THE RECENT EC CRUSHING INDUSTRY COMPLAINT  
AGAINST BRAZIL'S INDIRECT SUBSIDIZATION OF SOYBEAN MEAL  
EXPORTS (REF B). IT WOULD MEAN THAT FUTURE COMPLAINTS  
OF THIS NATURE WOULD BE HANDLED BY DG-VI (AGRICULTURE)  
RATHER THAN DG-I (EXTERNAL AFFAIRS). THE OFFICIALS  
NOTED EC INDUSTRY COMPLAINTS THAT RESOLUTION OF THE  
EC-BRAZIL ISSUE TOOK FAR TOO LONG -- NEARLY TWO YEARS.  
THEY SAID THAT THE EC RULES WERE IN ACCORDANCE WITH GATT  
AND SHOULD NOT AFFECT U.S. TRADE. THEY THOUGHT THAT THE  
CHANGE IN EC RULES, WHICH WOULD REQUIRE COUNCIL DECISION,

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FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 IO-13 AGRE-00 L-03 SS-15 NSC-05  
PA-01 ICA-11 /103 W  
-----029165 052036Z /62

R 051905Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6418  
INFO ALL EC CAPITALS

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WOULD NOT TAKE PLACE VERY QUICKLY, POSSIBLY NOT UNTIL  
AUTUMN. HINTON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RULES, MEAL, COUNTERVAILING DUTIES, VEGETABLE OILS, REGIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 BRUSSELS 8425, 77 BRUSSELS 19012  
**Retention:** 0  
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**Review Event:**  
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**Subject:** EC COUNTERVAILING RULES ON OILSEED MEAL  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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